



# "MAKING THE GRADE"

## *WASHINGTON HIGHER EDUCATION AND THE GLOBAL CHALLENGE*

### STRATEGIES FOR WASHINGTON STATE

### FOR THE WASHINGTON LEARNS STEERING AND HIGHER EDUCATION ADVISORY COMMITTEES

### *CONDENSED VERSION*

## **DRAFT REPORT**

JUNE 28, 2006



Olympia, Washington

[www.nored.us](http://www.nored.us)

[bcnored@aol.com](mailto:bcnored@aol.com)

# **"MAKING THE GRADE"**

## ***WASHINGTON HIGHER EDUCATION AND THE GLOBAL CHALLENGE***

### **CONDENSED VERSION**

#### **Introduction**

In its report, "rising to the challenge of global competition," Washington's Global Competitiveness Council quotes Governor Christine Gregoire as follows:

Washington is its own small nation in this new world economy and we are uniquely suited to succeed. We are innovative; we have the human capital, research institutions and the natural resources to take full advantage of the opportunities presented by global trade. I believe the role of government is to support and encourage creativity, innovation, new products, a world class education system and smart investing . . . Neither government nor business can do this alone. But, government can work in partnership with our business, agricultural and educational communities to build our own economic engines.<sup>1</sup>

The dilemmas the state faces were convincingly described recently by William Harris, Director General of the Science Foundation Ireland in a speech delivered in Seattle:

If the technological revolution of our time began in America, led in part by companies and innovators in this state, America seems to have grown complacent with its success. It is at risk of letting the revolutionary development of talent around the world pass it by.

. . . [Is] the investment in education in [Washington] ad hoc, or is it a strategic investment that recognizes today's competitive global realities and challenges the various levels of education to work together for the common good of the state? Does the state challenge its education system at all levels to be responsible by offering a more innovative and timely education than ever before?

---

<sup>1</sup> Please consult the full report for footnote references. The NORED research team that prepared this report was composed of Peter Blake, Dr. Jack Daray, James M. Furman, Dr. Donald Heller, Dan Keller, Dr. Richard Lutz, Dr. Ann-Marie McCartan, Dr. Paul Sommers, and Dr. William Zumeta. NORED director Dr. William Chance served as project director and manager.

. . .

America . . . is like the proverbial frog in the boiling water: Getting cooked without even noticing. I fear the same is true for Washington State.

According to the *Chronicle of Higher Education* [June 2005], in May 2006, five countries -- Armenia, Azerbaijan, Georgia, Moldova, and Ukraine -- were admitted to the Bologna Process, a program aimed at harmonizing higher-education systems across Europe. "This action means that 45 nations are now committed to the creation of the European Higher Education Area -- a region of shared academic standards, in which the universities play a central role in promoting Europe's culture and development." Participants in the process include all 25 members of the European Union, "which is trying to become the most competitive knowledge-driven economy in the world by 2010. . . The objectives include the synchronization of degree structures, with a first degree cycle of three years culminating in a bachelor's degree, and a second cycle for master's and doctoral degrees."

The water is heating up. The only feasible direction for Washington is upward, building on the progress it has made. The title of the report, "*Making the Grade*," was chosen accordingly.

The study purposes are based on the Washington Learns Steering Committee's statutory mandate to:

*Develop recommendations for a new postsecondary education funding structure that identifies (1) how best to distribute current dollars and (2) whether additional funding is necessary to achieve Washington's higher education goals.*

To help place the review in a global context, nine comparison states, Washington is the tenth, were selected to help establish metrics, (benchmarks), for where Washington is, where it needs to go, and measuring its progress, or regress. These are called *Washington's Global Challenge States* [GCS]. The group includes the top eight states on the New Economy Index [NEI, 2002]:

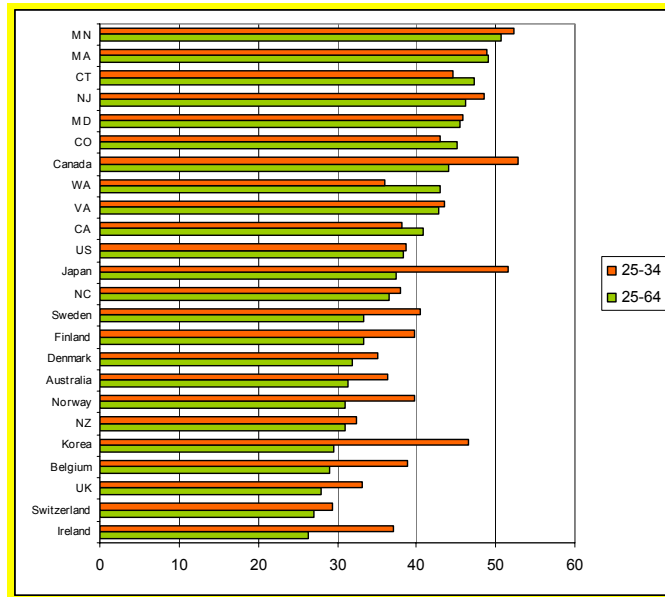
- Massachusetts (1)
- Washington (2)
- California (3)
- Colorado (4)
- Maryland (5)
- New Jersey (6)
- Connecticut (7)
- Virginia (8)

Plus:

- Minnesota (rank 13)
- North Carolina (rank 26)

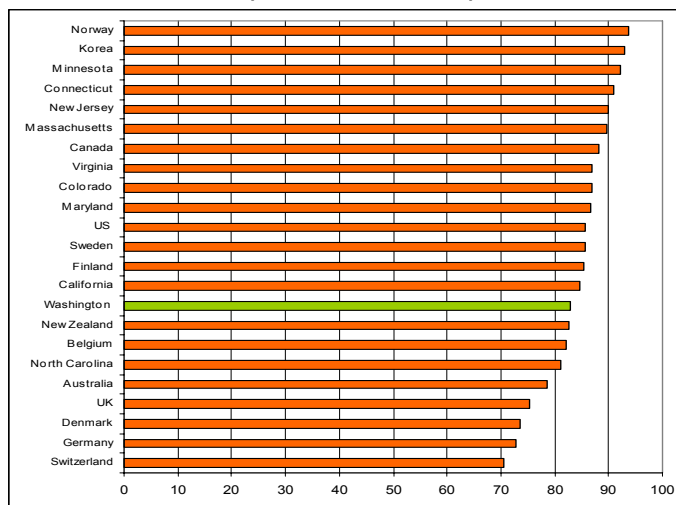
Washington and the U.S. have been at this for a while, so some of the numbers look pretty good. But a large percentage of the educated population in each is composed of people in the older age groups. The emerging theme of the global competition story concerns what is happening with the young segments. We are slipping in this department. The trend among adults age 25 to 34 years, compared with age 45 to 54 years, is shown on the following chart. The differences are significant.

**PERCENT ADULTS WITH A COLLEGE CREDENTIAL 2003: RANKED BY 25-64 YEAR-OLDS**  
Sources: Census and OECD



lippage also may be apparent in the comparisons of young adults with a high school diploma. Washington ranks 14th 'globally' on this measure, behind eight of the nine comparison states. Here the graph includes both OECD nations and Global Challenge States:

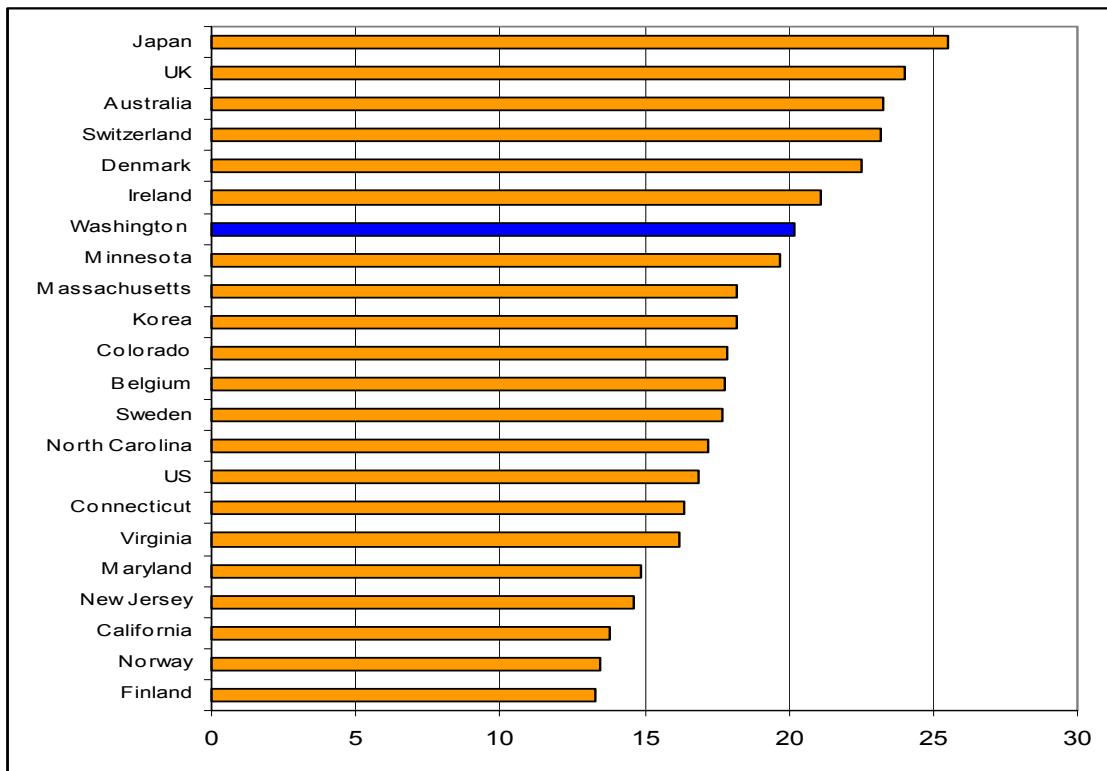
**PERCENT 20-24 YEAR-OLD POPULATION WITH A HIGH SCHOOL DIPLOMA (INCLUDING GED)**



Washington does a little better in terms of the percentage of 18-24 year-olds enrolled in college, but is still behind Korea and Massachusetts. This state's exceptionally strong community college performance is a significant factor in this aspect of its performance.

Washington is relatively competitive in terms of degree conferrals to enrollments, a measure of productivity. While behind Japan, Great Britain, Australia, Switzerland, Denmark, and Ireland, it leads the GC states and ranks well above the U.S. average. It leads the GS States on undergraduate degrees per undergraduate enrollment. It does well with the students it has. The problem for Washington, if it wishes to increase its overall numbers in this respect, is one of getting more people into higher education at the front end. This will require imaginative efforts and investments.

**NUMBER OF UNDERGRADUATE DEGREES AWARDED PER STUDENTS ENROLLED IN UNDERGRADUATE DEGREE PROGRAMS**  
**SOURCE: WAGNER; IPEDS, 2003**



The issue of investments in education also brings up the matter of research and development funding. State spending for R&D in Washington and the GCS states on a per capita basis in 2002 looked like this:

**R&D EXPENDITURES FROM STATE AND LOCAL FUNDS  
2002, PER CAPITA AND RANK  
SOURCE: NSF**

State	Per Capita	Nat'l Rank
California	\$6.92	26
Colorado	\$4.89	39
Connecticut	\$4.30	42
Maryland	\$11.05	14
Massachusetts	\$5.94	35
Minnesota	\$11.65	12
New Jersey	\$6.12	34
North Carolina	\$14.40	6
Virginia	\$9.63	18
Washington	\$2.87	47
GCS Avg.	\$7.77	
U.S. Avg.	\$7.95	

Washington trails everyone, including the nation, except for Alabama (51), Arizona (48), North Dakota, and West Virginia, on this measure. This is one instance in which there are a lot of 'Global Challenge States.' When the issue is R&D expenditures, Washington may not always be playing in the league it likes to think it is. The exception to the overall pattern is the University of Washington. The rest of the state, in terms of funds from federal sources and funds from industrial and from institutional sources, is hovering around the national average. When the subject is R&D funds from state and local sources, it really is not even at the table.

These numbers speak for themselves. The following quote from *Postsecondary Education Opportunity* is worth repeating here:

In nearly all of the industrial democracies of the world, populations of working class adults are rapidly becoming better educated. In some countries, such as Korea, Spain, Iceland, Norway, Canada, New Zealand, Ireland, France, Australia, Denmark, Sweden, United Kingdom, and Belgium, these gains are far greater than they are in the United States. If these gains continue over the next decade and beyond, then these countries will eventually have better educated workforces than will the United States. Norway may be the first country to surpass the United States in the proportion of its 25 to 29 year old population with at least a bachelor's degree. Korea, Spain, Ireland, and other countries could follow thereafter.

Washington needs to do much better. Nearly 25 years have passed since the education alarm call was sounded by the National Commission on Education Excellence in its report, *A Nation at Risk*. Higher education dodged the bullet in 1983 when the attention settled on K-12 education. American higher education was implicitly exempted, as people believed the United States led the world on all of the comparative indicators, as it probably did. Nothing lasts forever, and higher education's turn was just a matter of time. This time has come, and the spotlight now shines on it, questioning effectiveness in virtually all of the values it purports: Access, Affordability, Accountability, and Accomplishment. It would be nice to think otherwise, but the risk the National Commission was concerned about has increased.

With attention, commitment, and effort, Washington could regain its place and even prevail in the global race, and that would be a good thing, but it could lose that race and with it another at home. Higher education contributes economic and social returns, benefits that accrue both to the individual and to the public. Awareness of this is crucial to the case for investments and equitable answers to the question of who must pay.

Benefits include a private dimension (increased earnings over the course of a lifetime), and others that are less direct: "disposition toward law observance," "understanding of the basic principles for cultivating physical and mental health," and "progress in human quality, freedom, justice, security, order, and religion" are among them. An educated public can help keep health care costs down (college grads take better care of themselves), increase economic progress (create jobs and companies), and provide increased tax receipts (they make more money and pay more taxes), to say nothing of the importance of an educated public to the civic culture and the success of this democracy. The essentiality of an educated population and workforce to effective competition in the global economy is one of the realities that led to the call for this study, but it is hardly the only one.

It is in such a context that phenomena such as the following acquire special meaning:

- While 24.4% of families living below the poverty level have less than a high school diploma, this is the case with 2.4% of those with a bachelor's degree or above. (Census).
- Although infant mortality rates are also associated with race and ethnicity, they decrease proportionately with education attainment for all reported racial and ethnic categories (NCHS).
- Two-thirds of those with a bachelor's degree or higher regularly wear seatbelts while driving, compared with 39% of those without a high school degree. The figure for high school graduates is 41%, and for those with some college, 51%. (American Journal of Public Health)
- Of those women who were unmarried and had a child in the past year, 45.6% had not finished high school, 30.3% had graduated from high school, 19% had some college, and 6.1% had a bachelor's degree or higher. (Census).
- 73% of those with a bachelor's degree or above; 55% of those with some college; and 36% of those with a high school diploma knew what the first ten amendments to the U.S. Constitution are called, compared with 7% of those who had dropped out of high school (NCES).
- 52% of those with a bachelor's or above; 44% of those with some college; 33% of high school graduates; and 19% of those without a high school diploma performed an ongoing community service during the year (NCES).
- 91% of those with a bachelor's or above; 80% of those with some college; 68% of high school graduates; and 51% of those without a high school diploma voted in a recent national or state election. (NCES).
- 71% of male offenders and 83% of female offenders in the Washington prison system score at less than the 9th grade level on basic skills tests. 50% of offenders were unemployed prior to incarceration (Washington Department of Corrections).
- 87.1% of the adults in Washington have a high school diploma, compared with 32% of the Washington State prison inmates (Washington Department of Corrections).
- 85.5% of Temporary Assistance for Needy Family recipients have 12 or fewer years of education (Department of Social and Health Services).

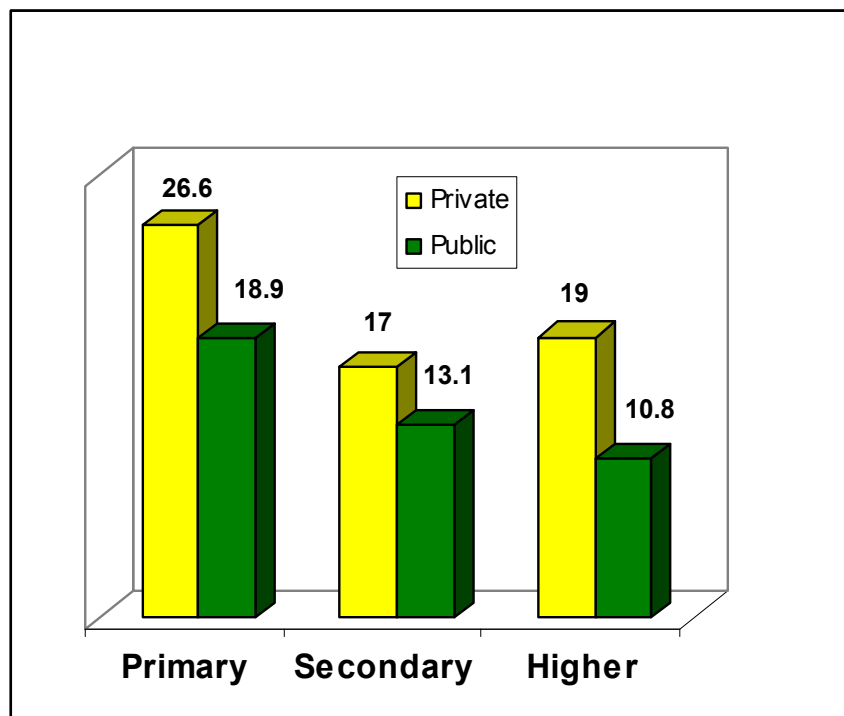
Education can be thought of as an investment much in the manner of physical capital or stocks and bonds. Individuals and the public make these investments, expecting an economic return in the form of higher wages and



social benefits from the graduates. The higher wages generate higher tax payments: what goes around comes around.

This is the case in the United States and globally. A review of 73 countries in 2004 found that social returns compared to public investments in education ranged from 19 percent at the primary level to 13 percent at the secondary level, and 11 percent for higher education.

**RETURNS TO INVESTMENT IN EDUCATION IN 73 COUNTRIES**



Recognition and appreciation of how education plays out on almost every level of human activity is essential. This is a load we all must share, both individually and collectively. The study is predicated on this assumption.

The report is organized around the specific topics identified in the call for the study. Some of these are macro in scope; others are more specific and detailed. Most of the recommendations summarized in this condensed version for the most part are those directed to the former. These are marked with arrows.

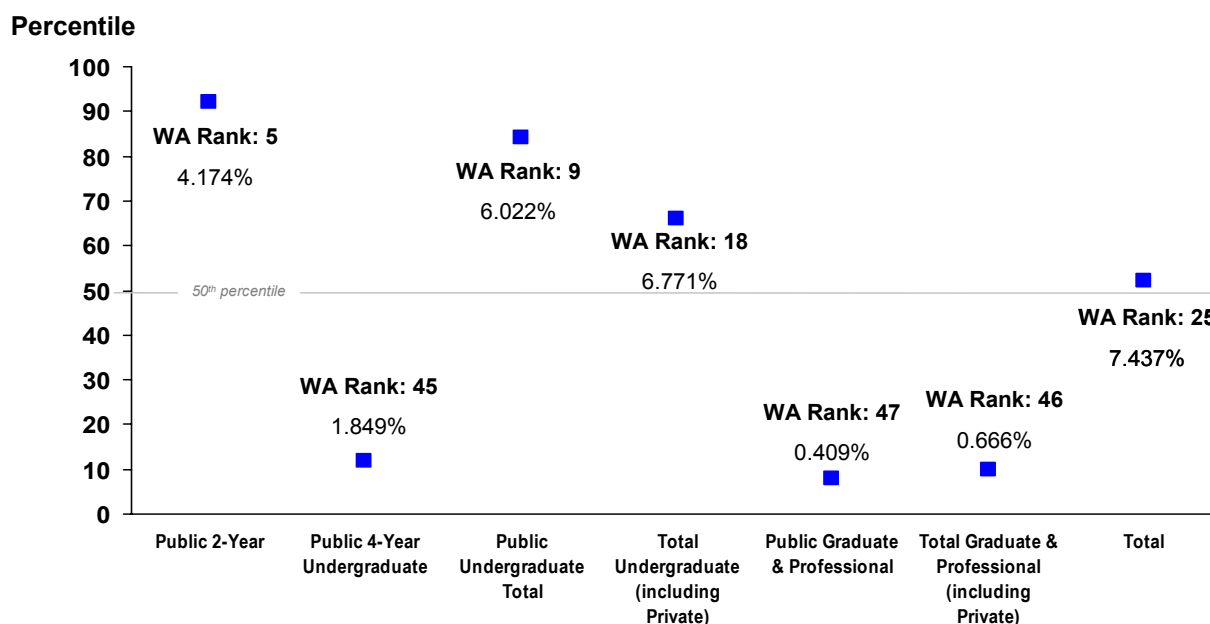
**Enrollment Planning, Needs, and Demands**

The following figure shows Washington's standing among the states in higher education participation at the different levels. Washington's large two-year college sector is represented in its high ranking in participation at this level (fifth) and in total public undergraduates (ninth). But the state ranks 45<sup>th</sup> in public four-year undergraduates and 18<sup>th</sup> in total undergraduates including the private sector. At the graduate and professional level Washington is in the bottom five states whether or not private institutions are included. When these disparate

performances are aggregated, the state's standing is right in the middle at 25<sup>th</sup> among the states. There has been little change in these rankings over the more than twenty years since the HECB and its predecessor agencies first noticed them and sought to inspire substantial improvements.

## Participation Rate: State Rankings, Fall 2002 Enrollment

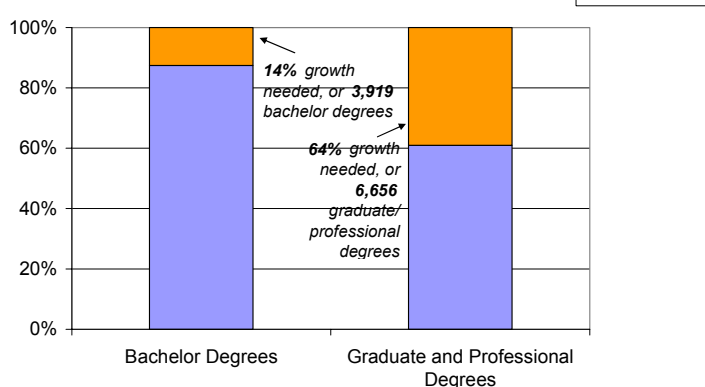
Population 18 & over, includes students who are residents of other states plus foreign students



Source: NCES Digest of Education Statistics 2004, Table 198. U.S. Census Bureau. (Based on slide created by OFM)

Washington needs to advance its degree production performance at the baccalaureate and graduate levels. To reach the Global Challenge State averages, this state would need to increase its bachelor's degree production by more than 3,900, or nearly 14%, and its graduate/professional degree output by over 6,600, or about 64%. Since a bachelor's degree is normally a prerequisite for admission to graduate school, the graduate degree shortfall provides a further indirect impetus to increase bachelor's production (although graduate students can be more easily recruited from other states than can undergraduates).

WA Growth Needed to Reach Peer Group Average  
Degree Conferral Rate, 2003-04



Sources: Digest of Education Statistics, Census Bureau

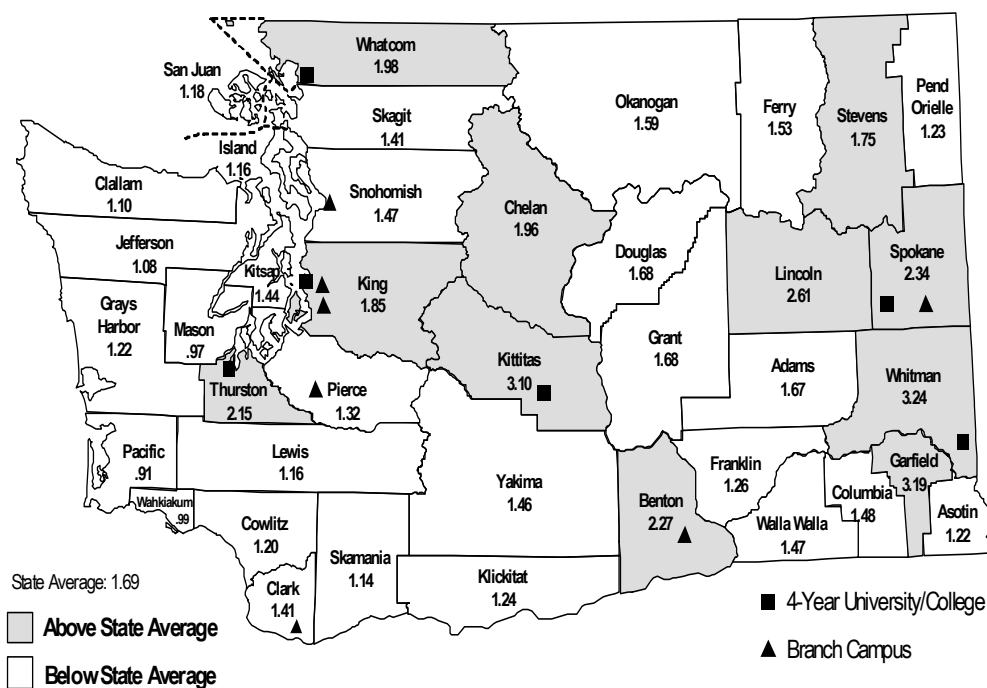
The Global Challenge States approach to goal setting also is built upon degree output, but we feel it has a more compelling rationale in terms of competitiveness than simply extrapolating past growth trends into the future.

⇒ A logical approach to goal setting might work as follows.

- For the community and technical college sector, the state should seek to at least maintain its current high ranking and degrees-to-young-population ratio, supplemented by specific responses to identified needs in fields showing a current and projected shortfall relative to employer demand as identified in the recent joint (HECB, SBCTC, WTECB) agency report.
- For bachelor's and graduate/professional degree production goals, we suggest initially targeting the average of the Global Challenge States, which implies gearing up for substantial increases in enrollment capacity and degree production. These would need to be carefully planned in terms of academic coherence in program configurations, linkages to probable labor market and student demands, and physical facilities, faculty and other capacity issues.
- Identified high demand fields should have priority and may require extra resources for high cost fields (e.g., computer science) and in some cases special incentives to attract students, e.g., expanded loan forgiveness options to attract and retain math and science teaching candidates, perhaps field-specific fellowships at the graduate level, and salary increments for teachers with ESL and science and mathematics capabilities after they enter the profession.

- ⇒ Assuming a policy commitment to achieving ambitious participation and enrollment/degree goals is made, whether using the Global Challenge States approach or that of the HECB in its 2004 Strategic Master Plan, the HECB and OFM should work with the institutions to further specify enrollment plans and costs, including capital costs, so as to create a statewide program for achieving the goals over a reasonable period of years. Approval of the plans should involve the governor, legislature, and key nongovernmental stakeholders, in addition to these agencies. This should serve to raise the visibility and credibility of the program and guide policymaker actions.
- ⇒ The state's major strategy for expanding enrollments needs is to build up the research universities' branch campuses. Given fiscal constraints it is important that this expansion be as cost-effective as possible, which implies that these campuses' expansion plans need to put them on a cost per student trajectory that is, as scale increases, close to the comparable figures for the state's comprehensive universities. If any branch campus fails to draw state resident students in line with established plans, its further expansion of facilities, faculties and the like should be rethought.

Participation rates in Washington counties always have been uneven, often closely associated with the proximity of institutions and programs, and the urban character of the county. The state's branch campus and outreach efforts have been directed at the problem.



Central Washington University and the other comprehensive universities, Eastern and Western, The Evergreen State College and Washington State University, have begun to offer programs collaboratively with the two-year institution on community college campuses in underserved areas. This model has shown itself as a way to serve local needs in a state as large and spread out as Washington. Also, specialized programs on this model have been successfully offered in metropolitan areas where the nearby university was not programmatically equipped to serve the need. The numbers are still relatively modest, however, and much of the development has occurred without explicit per student funding; rather it has come out of the universities' base budget allocations.

- ⇒ The state should provide more incentives to find and respond to these types of markets by providing such funding based either on the HECB's identification of unmet regional needs or in response to documentation by a university of its own evidence of need and probable demand and support from the community or technical college partner. Once demand is proven to be consistent and sufficient to justify it, consideration of modest facilities proposals on the community college campus should be permitted. Such a process needs to be monitored to minimize unnecessary program duplication in metropolitan areas and to help ensure adequate quality of programs to be mounted with very limited pertinent resources, e.g., in outlying areas.
- ⇒ Approaches the state could use to expand capacity in needed fields through direct relationships with qualified independent institutions include contractual relationships and scholarships equal to the average state FTE subsidy for students in the program field, which would follow students, who would be allowed to apply it at any Washington institution, public or independent, offering admission to a program in the designated field. Assuming the presence of unused capacity, the program could offer the advantage of responsiveness to cyclical needs without a heavy up-front infrastructure investment and loss of time as existing programs are expanded. It also might be operated on an RFP basis, in which case institutions could bid to provide program slots. As an example, an RFP program to increase the number of degrees earned by Hispanic or other under-represented population groups could allow the resources of qualified institutions, public and private, profit and non-profit, to be brought to bear. The programs could be on- or off-campus, based on a community college campus, or other configurations.

Increasing participation rates markedly, dramatically improving the inflow, rather than simply waiting for students to enroll, will require aggressive outreach efforts to the lowest-participating population groups (especially those that are

growing fast), ample financial aid, and, most important, much stronger alignment of K-12 improvement efforts with higher education's curricula, standards and placement assessments. Without creating more college-ready high school students it will not be possible to enroll or successfully graduate many more young people.

Attention also must be directed to the movement of students through the system. There were 14,600 transfers of community and technical college students to public and private senior institutions in 2004-05. Forty-one per cent of bachelor's degree awardees in Washington's public institutions are community college transfers. The number of transfers has slowly grown in recent years roughly in proportion to the entry cohorts in the two-year colleges. In order to improve baccalaureate production, transfer rates need to increase. Promising steps to this end include efforts to work closely with interested private four-year institutions, the creation of appropriate transfer tracks for students headed for specific university technical majors, and progress toward the creation of a web-based advising system that would allow community college students to determine on their own how their courses match transfer requirements at the public (and some private) four-year colleges and universities.

- ⇒ The state should encourage the transfer tracks that have recently been developed to attract students and move them to transfer and efficient baccalaureate completion. If the concept of specialized tracks proves generally successful, it should continue to be expanded to more applicable majors.
- ⇒ Relationships between community and technical colleges and accredited private four-year colleges and universities, including reputable for-profit institutions, should be encouraged. The private sector has seen the greatest recent growth in numbers of transfers from the public two-year colleges and some of these institutions have been leaders in designing baccalaureate programs tailored to the needs of Associate of Applied Science graduates. Private institutions should be actively welcomed into groups planning for specialized transfer tracks, AAS transfer, and more general transfer articulation planning such as for the web-based advising system.
- ⇒ The legislature should provide the funding required to make the web-based advising project fully operational.
- ⇒ The present Bachelor of Applied Science pilots, including both the BAS degrees to be offered entirely by community colleges, and the University Centers program, are promising. They should be evaluated to determine which approach is efficacious in which settings in the Washington context. Student attraction, degree completion success and employer response all

need to be tested. The results of the evaluation will be important, but we do not believe efforts to identify needs, refine the concept, and develop new program proposals should be halted until the results of the evaluation are in. Rather, these should be allowed to proceed to the launching point to allow rapid implementation pending a positive study finding.

The Office of Adult Literacy in the SBCTC estimates that the enrollments in these programs represent only about one-tenth of the generally low-skilled population in need of these services and the number has not increased much in many years. In recent years OAL and SBCTC have developed an innovative approach, called Integrated Basic Education and Training or I-BEST, that is producing dramatically better results in terms of achievement, completions and transitions to further training and education with this key population. It works by integrating ABE or ESL into workforce training curricula, thereby enhancing student motivation and speeding learning.

- ⇒ The I-BEST model is promising in an area of great social need. It should be evaluated for cost-effectiveness, taking into account the fact that course dropout rates may be substantially reduced. Substantially improved performance in preparing low-skilled adults for the modern workforce should pay off in reduced dependency and associated pathologies, a better prepared workforce, and increased tax revenues.
- ⇒ How well community college transfers perform at the receiving institution is a subject that is not systematically tracked by colleges. Such information could increase each college's attention to how well its transfers were prepared. The present emphasis is on how many students transfer rather than on how many succeed. Tracking could be done on an individual college basis system-wide, or it could be included in an integrated student tracking data system, which could ultimately permit such a measure to be constructed and fed back to community colleges for improvement.

Distance education has the potential to play an important role in expanding access to higher education in Washington and in reducing at least the capital costs of some enrollment growth to the extent students can be partially or fully served without using classrooms and other campus facilities. Funding for support of distance education course development in the sciences and for the regular revision of on-line course materials in general is needed.

- ⇒ The state should encourage colleges to utilize distance learning technologies to reach out to new student groups and to reduce the demand for campus-based facilities. To encourage more distance learning courses for primarily campus-based students that could eventually save on capital expansion costs, the state should devise an

arrangement to share a part of such cost savings with institutions showing increases in this area of activity as an incentive. Beyond this, financial incentives for faculty distance education course development efforts and distance learning technology upgrades are needed. Such incentives should apply to reasonable course revision schedules as well as initial course development. Special efforts may be needed in the laboratory sciences where the development of appropriate materials is more complex.

Washington's approach to identifying and addressing enrollment needs and distributing them among institutions, sectors, and modes of instruction is lacking in synchrony. This type of loosely coupled process alone will not be adequate to mobilize and sustain an effort to substantially expand participation and degree production to meet the types of goals suggested by the global challenge in higher education.

While OFM is the official population forecast agency, and its projections factor most directly into the biennial budgets, over the years others have entered the forecasting business, most notably the HECB and the WTECB. OFM's participation rate model is the base standard, but by using different projection models keyed to their missions, master planning in the case of the HECB, and workforce planning in the case of the WTECB, different results are obtained. The institutions and sectors, e.g., SBCTC, also develop enrollment forecasts.

Since none of the models is perfect and almost never agree, this can lead to competition -- a condition we refer to as 'dueling methodologies' - and confusion. The results often take the form of 'projections as policy artifacts' rather than representations of true student demand.

Washington's situation is less one of technical capacity than of distribution of that capacity across organizations, governmental and institutional, with disparate missions and responsibilities. These determine both the choice and shape of projection models. Competition can be a good thing, but when it comes to competition among agencies with policy responsibilities, confusion is an inescapable result, and the policies that make it through the appropriations process, may be neither the most important nor the most synoptic.

- ⇒ Even if the state chooses not to move beyond the present approach to enrollment planning, we urge that the population-based projection take into account population and participation trends by ethnicity, in addition to age and gender, because the most rapidly growing ethnic groups, Latinos and Asian-Americans, have substantially different participation rates than the general population.
- ⇒ Greater inter-agency collaboration in the development of policy-based enrollment goals should be sought. Other states have relied on



collaborative approaches and enrollment conferences wherein institutional representatives meet with state officials to arrive at a consensus forecast. This approach should be pursued here.

At the two-year institutions, where relatively precise matches can be made between occupations and fields of study, two areas stand out with enduring shortages when the number of program completers is compared to the state's projections of demand by occupational field: construction and health care. SBCTC also reports that its completers meet about 85 percent of employer demand in professional and technical fields for which the colleges have certificate and degree programs.

At the baccalaureate level, precise matches between academic majors and occupations are more difficult. Indeed, one-to-one matches are possible in only a handful of programs. Broader judgments about the adequacy of degree production to meet employer needs have to be made using aggregated estimates of demand in occupations judged to require a bachelors degree, and large groups of degrees granted in liberal arts, science, and business majors that cannot be associated with any particular occupation. This is not a bad thing, as people with such degrees enter the workforce and gain successful careers in large numbers.

This is not a solution in highly technical fields. Some of the fields in which the supply coming from the state's four-year institutions seems inadequate relative to projected demand include Engineering, Computer Science, Architecture, Health, and research and technical fields.

Washington has some of the best information for workforce programs in the country. Analysts working on evaluations of adult education and displaced worker programs consistently point to the quality of the data available from administrative sources concerning workforce outcomes for training program participants. Program managers at the colleges and SBCTC can make adjustments and investment decisions based on these data, and legislators can be assured that the dollars they allocated to these programs have been well invested.

- ⇒ While national studies suggest that similar claims could be made for baccalaureate programs, the universities do not collect or publish comparable reports and policy makers do not have precise information readily available about how many graduates stay in the state, what industries they are working in, or where they are working. This deficiency should be corrected through use of administrative data or other mechanisms. Asking the universities to utilize a matching system similar to that used in the community college system is a relatively low cost option to

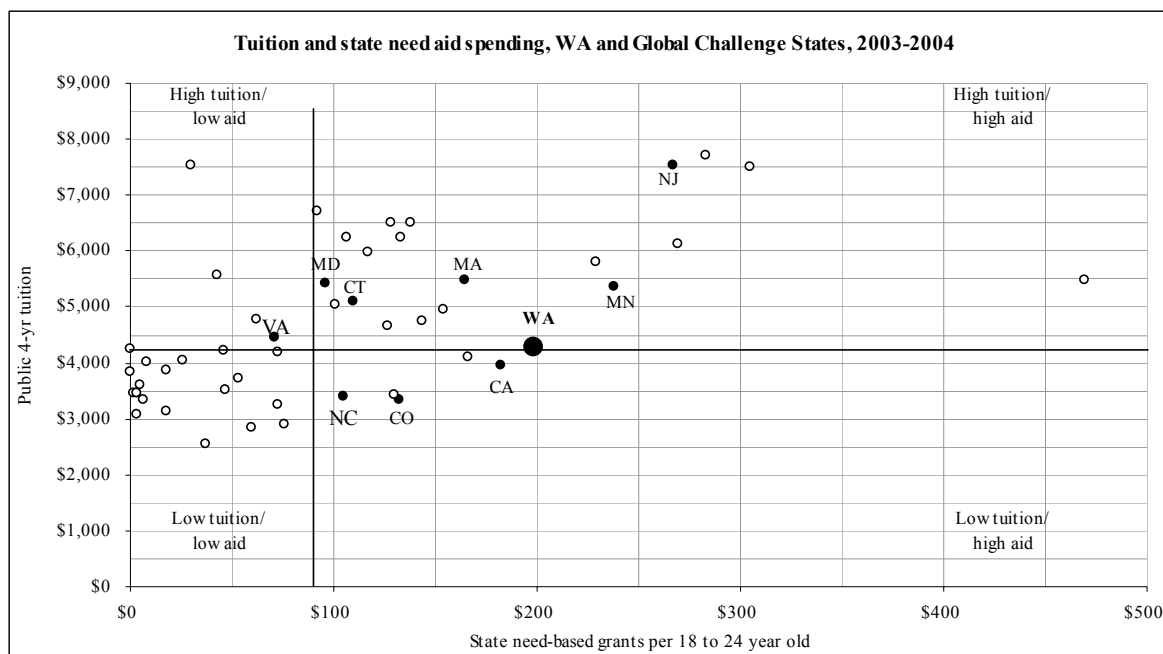
provide more information about how well the universities are meeting employer needs in various industries.

### Tuition and Financial Aid

Over the last two decades, the shares of total revenues received by public higher education institutions across the country have changed, with the portion provided by the states and federal governments decreasing and the portion provided by students and families increasing. With few exceptions, this has happened largely through fiscal expediency rather than explicit policy decisions on the part of governments. It has unfolded through a process of incremental displacement of one funding source for another as enrollment demand and economic fluctuations occurred, not often in harmony.

Washington is a moderate (medium) tuition/moderate-aid state. Washington is in the middle of the four quartiles formed by tuition charges and aid spending on the next graph. While its four-year institution tuition rate (averaged between the University of Washington and the comprehensive universities) is just about the national average, its need-based aid per student is greater than the national average. Half of the GCS, MD, CT, MA, NJ, and MN, are in the high aid-high tuition group. California, CO, and NC are considered comparatively low tuition-high aid states. Washington is closest to this cluster. All of the GCS except for VA are on the high aid side of the graph.

### NEED-BASED GRANT SPENDING PER CAPITA AND FOUR-YEAR TUITION PRICES, 2002 (INDICATING WASHINGTON STATE'S COMPARATIVE PLACEMENT)



In terms of tuition charges, in comparison with the ten Global Challenge States, Washington ranks third from the bottom, i.e., third from the lowest, above

North Carolina and Colorado research university rates. It also is about 30 percent below the GCS average. It is almost ten percent below the national average for institutions of this type.

Washington ranks fourth from the bottom in comprehensive university rates, with California, Colorado, and North Carolina maintaining lower rates for these institutions. Washington is 26 percent below the GCS average, and 15 percent below the national figure.

In the case of the community and technical colleges, Washington ranks squarely in the middle of the GC States, and barely 0.4 percent below the national average. Washington community college tuition is relatively higher in the comparison group setting than is the case with the two university sectors.

While Washington is among the nation's leaders in state-funded aid, its resident tuition rates in four-year institutions are below the national average (largely because other states have increased their rates in recent years faster than has Washington). This indicates that the state should consider increasing tuition rates at slightly higher than average rates in the coming years. Increases in tuition, however, should be accompanied by and linked with increases in both state and institutionally-funded grants.

- ⇒ We recommend that tuition rates in the four-year universities be increased to achieve greater parity with counterpart institutions in the Global Challenge States.
- ⇒ Washington community college tuition is relatively higher in the comparison group setting than is the case with the two university sectors. We do not recommend an increase for this sector at this time.
- ⇒ We also recommend that differential pricing rates among institutions, for example the University of Washington, Washington State University, and the comprehensive universities and branches, be used as incentives to attract students to the latter institutions to take advantage of available capacity.
- ⇒ Tuition increases at the research universities, especially the UW, are likely to feed perceptions that the institution is too costly for low-income students. In the event of this or any other increase in tuition, the University should commit to holding these students harmless by providing them enough institutional aid (in addition to their state aid) to offset any tuition increases that exceed the inflation rate.

Either by keeping student charges low or by providing need-based student financial aid to low-income students, states have pursued the higher education values of access and affordability. High percentages of students in all of the Global Challenge States receive some assistance. In Washington the number

approaches two-thirds of the first-time, full-time students. This is below the national and GCS averages, however, which are 77.1% and 71.8%, respectively. With 17.5% of these students receiving state aid, Washington is below the national and GCS averages on this score as well.

Washington has intransigent student pipeline issues that require dramatic new approaches to how it uses tuition and student financial aid policy. According to national data, Washington ranks at the bottom of the GCS group in its ability to get students from the ninth grade through college.

**THE STUDENT PIPELINE  
MOVEMENT OF 9TH GRADERS THROUGH COLLEGE  
GLOBAL CHALLENGE STATE**

**SOURCE: NCHEMS, YEAR 2000 DATA**

<b>State</b>	<b>For every 100 Ninth Graders</b>	<b>Graduate from High School</b>	<b>Enter College</b>	<b>Are Still Enrolled Their Sophomore Year</b>	<b>Graduate within 150% Time</b>
Massachusetts	100	75	52	41	28
Connecticut	100	77	48	37	26
Minnesota	100	84	53	38	25
New Jersey	100	86	55	40	24
Virginia	100	74	39	30	20
Colorado	100	71	37	26	18
North Carolina	100	59	38	28	18
Maryland	100	73	40	30	18
California	100	69	33	22	17
Washington	100	71	32	22	16
GCS Avg.	100	74	43	31	21
United States	100	67	38	26	18

Affordability, and perceptions of its absence among students with higher education potential, are important considerations. Tuition charges and student aid are the state's most promising strategies for correcting the problem.

- ⇒ Washington is slightly above the national average in the average amount of state aid, \$1,559 versus \$1,522, but it is below the GCS average (\$1,607). In terms of percent of total state grant aid that is *need based*, Washington, 80.2%, trails only California (95.4%) in the rankings in this regard. Again, we believe that any program of tuition increase must be accompanied with equal attention to student aid (e.g., Washington has a history of reserving 25% of any tuition increase for financial aid). Whether the program represents incremental or synoptic change, this commitment and tradition should continue.

- ⇒ With respect to student aid and workforce preparation, in this state part-time students do not qualify for the State Need Grant program. We believe this should be changed and the program expanded to include them. According to information provided by the SBCTC, an additional 4,700 part-time workforce training students would qualify if the opportunity to receive such aid were at the same level as for full-time workforce students.
- ⇒ During the 2006 session, the legislature appropriated \$4 million to the SBCTC to create a pilot program called the Opportunity Grant Program. The object is to use student financial aid to get low-income students to the 'tipping point', one year of college level credits and a credential and beyond, by following pathways that provide employment opportunities linked to advancements in education attainment. The grants provide student support packages that provide for expenses, such as tuition, books, fees, childcare, transportation, etc. Although we look forward to the results of the pilot test, we also believe the effort is much too modest and possibly in some danger of dilution. We recommend that sufficient funding be provided to at least double the size of the pilot effort.
- ⇒ Washington needs to get more people into and through college. Indiana's 21st Century Scholars Program offers scholarships to a targeted group of high school students, those who qualified for free and reduced price lunches in 8<sup>th</sup> grade and who maintain at least a C average in high school, along with certain other eligibility requirements. The program makes the commitment of a full-tuition scholarship to these students when they are still in middle school. It also combines the scholarship support with assistance in helping the students to prepare for college academically and socially. Because of the narrow focus on disadvantaged students, the budget costs have been modest and predictable. We recommend that Washington establish a similar program here, in effect using a portion of the State Need Grant program for such an early commitment program with a full tuition waiver program for students who meet the standards and qualify. This would be known as Washington's 21st Century Scholarship Program.
- ⇒ There is a second centerpiece to our recommendations. We believe the state should cut the knot and provide a first-year tuition waiver at community college tuition rates for all Washington students who attend a public college or university in this state. In effect this would extend a 13th year of education, in any program, workforce preparation or academic, to all students who wish to take advantage of it. We recommend that this be known as the Washington Opportunity Scholarship Program.

- ⇒ We also believe there should be something in every higher education policy review that applies to all citizens, low-income and other, and they should know this. As Washington moves in this direction the effort should be accompanied with a dedicated information program publicizing the state's commitment to low- and moderate-income students and providing specific information about how these programs will affect them. Stated differently, Washington should include a well-publicized roll-out and provide ongoing publicity about the programs, particularly focused on the target population.

Allocating education costs among state funds, tuition, and financial aid, "sharing the cost burden," is a subject identified in the call for this study. A tuition policy linking price to costs of instruction was adopted by the Legislature in 1977 and the policy was continued to the mid-1990s. It appears to have been abandoned when state appropriations declined, leading to reduced instructional costs, and then logically to an imperative to reduce tuition proportionately (as costs go down so would the prices that were linked to them) at the very time the search for additional funds was reaching critical proportions. Washington quietly abandoned the cost sharing model.

- ⇒ A return to a policy of cost sharing in the form of statutorily set shares of the cost of education – among the student (and family), state, and institution is not recommended. Washington has moved past the shares that used to apply and is unlikely to return soon. Moreover, few of these policies have been successful (i.e., the compact always seems to get broken in bad fiscal times). We do recommend, however, that the HECB cost study that began as part of this model be continued and that tuition rates be monitored in this context accordingly.

### **Funding Higher Education**

In terms of the Global Challenge State rankings on 2006 appropriations for higher education per capita and per \$1000 of personal income, Washington ranks fourth, both in terms of appropriations vis-à-vis personal income and appropriations per capita. Washington also ranks 25<sup>th</sup> nationally in terms of the appropriations per \$1000 of personal income rankings. It rises to 19<sup>th</sup> nationally when ranked on a per capita appropriations basis.

- ⇒ Washington should establish, in statute, the top tier of the Global Challenge States as the financial 'metric' for support per student and with a mix of state and local revenues, move toward that standard over a period of time established by the Legislature. At no time should the mixture of revenues per student be less than the

previous year unless the Global Challenge States experience an overall drop in total revenue per student.

There are special problems the state needs to address. Faculty salaries are one. Washington ranks next to last among the Global Challenge States and well below this peer group and the national averages on average salaries overall for faculty on 9/10 month contracts in public institutions. The state is losing ground relative to the other Global Challenge States with respect to faculty salaries in four-year institutions. Washington has moved from next to last to last in terms of the average salary of full professors in these institutions. During the same period it fell an additional six percent behind the average of the GC states. We believe that this is an issue the state must address.

- ⇒ The study involved a review of different funding models. A formula funding approach is the one we felt had the greatest potential here, although Washington has employed and moved away from formulas in the past, they can be a useful tool. We recommend reconsideration of formula funding. Simplicity is important. We believe the main questions that need to be addressed in a formula are:
  - The differences between institutional types with respect to
  - Faculty/student ratio by level
  - Salaries needed to be competitive
  - Depth of library and instruction support resources, including technology.
  - By focusing on these three main drivers it should be possible to engineer a simple formula and then round it into a macro. If this is done, it should be done collaboratively. The formulas need to be rolled up into something that is easy to understand.
- ⇒ The institutions should be challenged to revisit the old ratios and explain why they are needed, and whether new ones might be more appropriate. The object would be to round the figures into clear understandings of the dollars per FTE that would be required to attain and sustain a high quality educational endeavor. Records of the reasons why particular decisions were made on ratios should be maintained. The result should be FTE funding that represents baseline quality criteria. The cost of providing it would then be distributed among the major fund sources (state, student, and other). This would not only add a qualitative dimension to the quantitative enrollment projections, but it would instill more predictability into the process. Students and institutional

administrators would know that if the contribution from one fund source declines, the other fund source will need to increase to maintain these quality standards.

- There is another reason for this: to establish some common basis for accountability systems and estimating future costs as part of the Performance and Accountability Agreement program recommended later in the report.
- ⇒ Consideration also should be given to incorporating some component of performance funding to address issues of excellence or particular aspects of public policy on the margin.
- ⇒ The best approaches to funding higher education are those which are combinations. This occurs when the state appropriations define and provide adequate funding for the core activities of the institution—instruction, academic support, student services, administration, plant maintenance, and so on. Beyond this “base funding” should be categories which identify the state’s prime goals, such as economic development or access for disadvantaged students—and then funds should be provided to encourage institutions to pursue these goals. We believe that this approach, performance funding, also has great potential and recommend its consideration here.

### **Cost Analysis**

The HECB cost study results have been used for years as a data source for numerous cost-based policies and funding purposes, e.g., funding levels for new enrollments, quality enhancement funding, informing students of state subsidies for higher education, among others.

- ⇒ We recommend that the HECB cost studies be continued, although we also suggest that consideration be given to enhancing utility by:
- Allocating tuition separately from state support with allocation proportional to the overall share that tuition supports the total cost of instruction, by discipline, and reflecting the differential tuition rates by student level;
  - Identifying the amount of endowment and other institutional-generated support that goes into each discipline;
  - Identifying the amount of additional non-tuition fees paid by students that are used for instructional support; and
  - Identifying the value of tuition waivers; by level and discipline where appropriate.



### **Governance and Fiscal Policy**

Washingtonians have accepted the case that education investments are crucial to the state's future. Much of the data suggest, however, that if they believe this is what has been accomplished, they are misguided. The situation must improve, and viewing state funding as a form of investment, identifying priorities for focusing that investment, and allowing institutions to manage their affairs while holding them accountable for results are places to start. This requires definition, communication, discussion, and agreement. A Public Higher Education Agenda is both the essential and missing ingredient if funding policy is to be anything more than a matter of spending more money incrementally or rearranging allocations.

⇒ We believe that a public agenda for higher education in Washington should be defined and established. Our view of the priorities to be included in the Public Agenda includes:

- Position Washington for successful competition in the Global economy by defining a public agenda and focusing strategies on a long-term and steady approach to its accomplishment, and aligning funding programs with public policies.
- Expand access to higher education in all of its dimensions, especially at the front end.
- Preserve affordability through tuition and student financial aid policies.
- Recognize that higher education has individual and societal benefits and beneficiaries, and weigh the distribution of the cost burden, i.e., the individual and public shares, tuition, appropriations, and student financial aid, accordingly.
- Increase participation and productivity in workforce preparation programs, defined as applying to all upper education levels and responding to Washington industry and commerce's needs for graduates in shortage fields.
- Preserve and build upon Washington's prominence as a magnet economy that attracts educated and trained people from other areas, but also recognize the essential importance of opportunities for Washington residents to get the education they need.
- Increase higher education's potential for productivity through collaborative and cooperative planning, with special attention to the college readiness of high school students.

- Expand the state's forecasting capacity to permit more issue-relevant, collaborative, and effective program planning.
  - Address the capacity of the state's higher education coordinating board to engage in effective, collaborative, long-term policy research.
  - Increase production capacity with imaginative programs to tap into the full range of education resources, public and private, classroom and other.
  - Increase responsiveness and capacity through the extension of managerial flexibility and managerial autonomy to institutions.
- ⇒ In recent years, states have begun to seriously consider delegation of managerial authority to their institutions in efforts to improve their capacity to adapt and respond to new economic conditions. Such delegation requires that institutions work within a framework that provides incentives to address state and regional higher education needs in accordance with their missions. It also provides an accountability structure that conditions the continuance of this managerial autonomy on their performance in the accomplishment of the Public Agenda. As Washington considers options to refocus its higher education system, Virginia's experience with college and university restructuring is instructive. It offers a model that we recommend be employed here. This would be called the Washington Performance and Accountability Agreement program.
- ⇒ Fiscal stability is an important principle for administrators in higher education. This has prompted efforts to establish institution rainy days funds in some states. This is a reserve account that can be used to soften the effects of funding reductions. One possible approach to this as part of the Performance and Accountability Agreement would be to allow institutions to legally carry-forward funds from one biennium to the next, provided an established share is placed in the reserve account until the appropriate total is reached. Another possibility is a share of new tuition revenue set aside for this purpose. A program of institutional rainy day accounts should be pursued in Washington.

Much of the discussion about fiscal policy efficacy of the governance system devolves to the Higher Education Coordinating Board. This is both a coordinating board focused essentially, but not exclusively, on the four-year sector, and an organization with significant program administration responsibilities.

- ⇒ Much of the policy research of the HECB is well done. A considerable part of the information and data this study has relied upon and used came from the coordinating board. At the same time, we cannot escape the impression that the board has become marginalized. We recommend that efforts to correct this begin with mission clarification, in this case a transfer of the HECB's program administration responsibilities to a separate agency, a Higher Education Services Office, which would be created for this purpose and staffed by the same people who presently staff these programs.
- ⇒ Our next recommendation concerns the composition of the HECB itself. Here we look back to the original Council on Higher Education, which had a remarkable record of agency effectiveness. That board was composed of the Governor, who was ex officio chair, four legislators (two from each house, one from each caucus), nine citizen members appointed by the Governor with the advice and consent of the Senate, the Director of OFM, the OSPI, the chair of the Council of Presidents, the Chair of ICW, the director of the SBCTC, and, now, the director of the WFTECB. This placed at the table the representatives of the groups most interested in and directly affected by the Board's deliberations and policy recommendations. We believe it also improved the agency's salience and reduced much of the inter-agency friction and conflict we encountered during the course of the study. We recommend that such an organization structure be established. We also recommend that the solution be revisited and evaluated no more than ten years after its formation.

### **Transitions and P-20**

- ⇒ Consideration should be given to the formation of a P-20 Council in Washington, with certain conditions, the most prominent of which is its treatment as a temporary entity with an initial life of five years, with the opportunity to extend based on continued evidence of need at the end of the period. Such a Council might take the form of an Education Cabinet, in which case it might also be a forum for an Education Management and Accountability Program, modeled on the present GMAP program for state agencies. Representation on the Council should include at least the Governor, the SPI, OFM, the COP, the SBCTC, the HECB, and the WTECB. It would be staffed by people in these organizations.
- ⇒ The Council should direct the establishment of an integrated student data system that would span sectors and survey and

develop an inventory of practices and programs to increase efforts and activities in the following areas and hold sectors accountable for results. More specifically, it would:

- Address P-20 curricula alignments;
- Develop and implement predictors of student success from level to level;
- Expand P-20 guidance efforts, including on-line guidance assistance;
- Eliminate impediments to credit transfer throughout the system;
- Create articulation agreements and pursue equitable funding for programs such as Running Start;
- Ensure that opportunities for such programs as Advanced Placement and the International Baccalaureate are available in all high schools throughout the state, urban, suburban, and rural, rich district and poor;
- Oversee and direct the establishment of an integrated student data system for all of Washington education.

- ⇒ We have been impressed with what we have learned about the California State University [CSU] College Readiness program. This is a collaborative effort with the high schools by which, in effect, students are given the opportunity on a voluntary basis to take a college readiness test in their eleventh year. The test is equivalent to the system placement test, and passage assures that students will not need to take the placement test when they arrive on campus and that remediation will not be needed. Should they not pass the test, they have time available while still in high school to remedy the deficiency before moving onto college. We recommend that such a program be developed here.
- ⇒ On the subject of admissions, the universities have separate application processes even for their own branch campuses. One must apply separately to each institution, even if applying to both the parent university and a branch. A common application form and process, at least within multi-campus systems, and a form that would be universal to all state college institutions, should be considered as a way of simplifying admissions and, possibly, increasing access.
- ⇒ Washington utilizes separate budgets for each of the major education sectors (e.g., K-12 and higher education). There is no

"Education" budget, so if one wishes to think of Education as a unified policy paradigm, e.g. P-20, the efficacy of the divided governance and fiscal structures immediately is a problem. We recommend that the state regularly employ an Education Budget Overlay on the order of the "Chalkboard Project" developed in Oregon.

We hope these ideas, many of which originated with others, will prove worthy of consideration by Washington Learns and the people of this great state, and that they will in some measure help to make things better for those who are making their way to and through the colleges and universities and into a very different world after they leave them. Most of all we hope that the initiatives called for will vastly increase their numbers. As a state, we need that; as individuals, so do they. We respectfully and hopefully submit this report in that vein.